

**MINNESOTA MUNICIPAL BOARD**

**FINANCIAL AUDIT**

**FOR THE THREE YEARS ENDED JUNE 30, 1992**

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**MAY 1993**

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Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota

**93-26**



**MINNESOTA MUNICIPAL BOARD**  
**FINANCIAL AUDIT**  
**FOR THE THREE YEARS ENDED JUNE 30, 1992**

Public Release Date: May 28, 1993

No. 93-26

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**OBJECTIVES:**

- **EVALUATE INTERNAL CONTROL STRUCTURE:** Payroll, per diem expenditures, travel expenditures, and filing fee receipts.
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

**CONCLUSIONS:**

We found the internal control structure to be effective.

We found no departures from finance-related legal provisions.

Contact the Financial Audit Division for additional information.  
296-1730

FINANCIAL AUDIT DIVISION





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Senator Phil Riveness, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Kenneth F. Sette, Chair  
Minnesota Municipal Board

Members of the Minnesota Municipal Board

Mr. Terrence A. Merritt, Executive Director  
Minnesota Municipal Board

## **Audit Scope**

We have conducted a financial related audit of the Minnesota Municipal Board as of and for the three years ended June 30, 1992. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Minnesota Municipal Board, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Minnesota Municipal Board in effect as of March 1993.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the Minnesota Municipal Board are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Minnesota Municipal Board's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

## **Management Responsibilities**

The management of the Minnesota Municipal Board is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;

- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

### **Internal Control Structure**

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- payroll,
- per diem expenditures,
- travel expenditures, and
- filing fee receipts.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

### **Conclusions**

In our opinion, the internal control structure of the Minnesota Municipal Board in effect as of March 1993, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial activities attributable to the transactions of the Minnesota Municipal Board.


However, we also noted certain matters involving the internal control structure and its operation that we reported to the management of the Minnesota Municipal Board at the exit conference held on April 23, 1993.

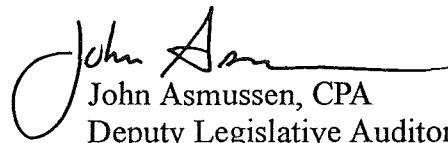
The results of our tests indicate that, with respect to the items tested, the Minnesota Municipal Board complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Minnesota Municipal Board had not complied, in all material respects, with those provisions.

Senator Phil Riveness, Chair  
Members of the Legislative Audit Commission  
Mr. Kenneth F. Sette, Chair  
Members of the Minnesota Municipal Board  
Mr. Terrence A. Merritt, Executive Director  
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This report is intended for the information of the Legislative Audit Commission and management of the Minnesota Municipal Board. This restriction is not intended to limit the distribution of this report, which was released as a public document on May 28, 1993.

We thank the Minnesota Municipal Board staff for their cooperation during this audit.

  
James R. Nobles  
Legislative Auditor

  
John Asmussen, CPA  
Deputy Legislative Auditor

End of Fieldwork: April 20, 1993

Report Signed On: May 21, 1993





# Minnesota Municipal Board

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### Audit Participation

The following staff from the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Warren Bartz, CPA	Audit Manager
Susan Rumpca, CPA	Auditor-in-Charge

### Exit Conference

This report was discussed with the following staff of the Minnesota Municipal Board at an exit conference on April 23, 1993:

Terrence A. Merritt	Executive Director
Patricia D. Lundy	Assistant Executive Director
Starlene J. Holman	Executive I
Rachel Youness	Clerk Typist 2



# Minnesota Municipal Board

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## Background

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The Minnesota Municipal Board operates under Minn. Stat. Chapter 414. The board conducts proceedings and issues orders for the creation of a municipality, the combination of two or more governmental units, or the alteration of a municipal boundary. The board has three members who are appointed by the governor for six year terms. For certain proceedings, two county commissioners from the county in which all or a majority of the affected land is located also serve as board members. The board appoints an executive director who must be learned in law. Terrence A. Merritt has served as executive director since January 2, 1979.

The board pays expenditures from a General Fund appropriation. Appropriations for the years ended June 30, 1990, 1991, and 1992 were \$252,000; \$253,000; and \$277,000, respectively. The Minnesota Municipal Board collected and spent the following amounts during the audit period:

	Fiscal Year		
	1992	1991	1990
Revenue:			
Filing fees	\$ 28,025	\$ 28,977	\$ 25,636
Other	<u>424</u>	<u>396</u>	<u>396</u>
Total Revenue	<u>\$ 28,449</u>	<u>\$ 29,373</u>	<u>\$ 26,032</u>
Expenditures:			
Payroll	\$193,215	\$190,714	\$170,712
Per diems	11,675	12,600	12,150
Instate travel	4,847	10,448	13,135
Other	<u>53,106</u>	<u>38,182</u>	<u>45,885</u>
Total Expenditures	<u>\$262,843</u>	<u>\$251,944</u>	<u>\$241,882</u>

Sources: Statewide Accounting System Estimated/Actual Receipts Reports as of September 5, 1992; August 31, 1991; and August 31, 1990.  
Statewide Accounting System Manager's Financial Reports as of September 5, 1992; August 31, 1991; and September 1, 1990.